

Financial Management for Retail Energy Efficiency

RILA

RETAIL INDUSTRY LEADERS ASSOCIATION

Educate. Collaborate. Advocate.

Retail Industry Leaders Association (RILA)

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Project Summary

Timeline:

Start date: April 9, 2015 (pre-award letter)

Planned end date: December 31, 2018 (6 month extension will be requested)

Key Milestones (insert 2-3 key milestones and dates)

1. 1st Finance 101 & 201 Workshops; Sept. 2015
2. 1st EDF Climate Corps Fellowships; Summer 2016
3. Finance 101 & 201 E-learning; Summer 2018

Budget:

Total Project \$ to Date:

- DOE: \$556,137.74
- Cost Share: \$556,137.74

Total Project \$:

- DOE: \$750,000
- Cost Share: \$750,000

Key Partners:

- Deloitte Finance
- Institute for Market Transformation (IMT)
- Environmental Defense Fund (EDF)

Project Outcome:

Increase retail company access to capital for funding energy projects by educating retail energy managers and finance professionals on leading practices.

These new projects represent up to 4 billion kWh in industry attainable energy savings and address EERE Goals 3 & 5 as well as National energy productivity and GHG goals.

Team

Team Member/ Stakeholder	Contribution	Timing	Track Record
Deloitte Finance	<ul style="list-style-type: none"> Finance exec interviews Finance 101 workshops and e-learning 	<ul style="list-style-type: none"> As teaching opportunities arise 	<ul style="list-style-type: none"> Finance specialists Industry credibility
Institute for Market Transformation (IMT)	<ul style="list-style-type: none"> Finance 201 workshops and e-learning Direct retail consultations 	<ul style="list-style-type: none"> As teaching opportunities arise Ongoing retail consultations 	<ul style="list-style-type: none"> Former retail executive Energy efficiency expertise – related past projects
Environmental Defense Fund (EDF) & Fellows	<ul style="list-style-type: none"> Well-regarded existing fellowship program 	<ul style="list-style-type: none"> Summer fellowships 	<ul style="list-style-type: none"> Satisfied past retail hosts
RILA	<ul style="list-style-type: none"> PI Provide direction for deliverables 	<ul style="list-style-type: none"> Continuous supervision and coordination 	<ul style="list-style-type: none"> Retail community convener Trusted resource
Retailers	<ul style="list-style-type: none"> Executors 	<ul style="list-style-type: none"> Continuously applying learnings 	<ul style="list-style-type: none"> Target audience

Gap: Direct connection to retail finance professionals



Challenge

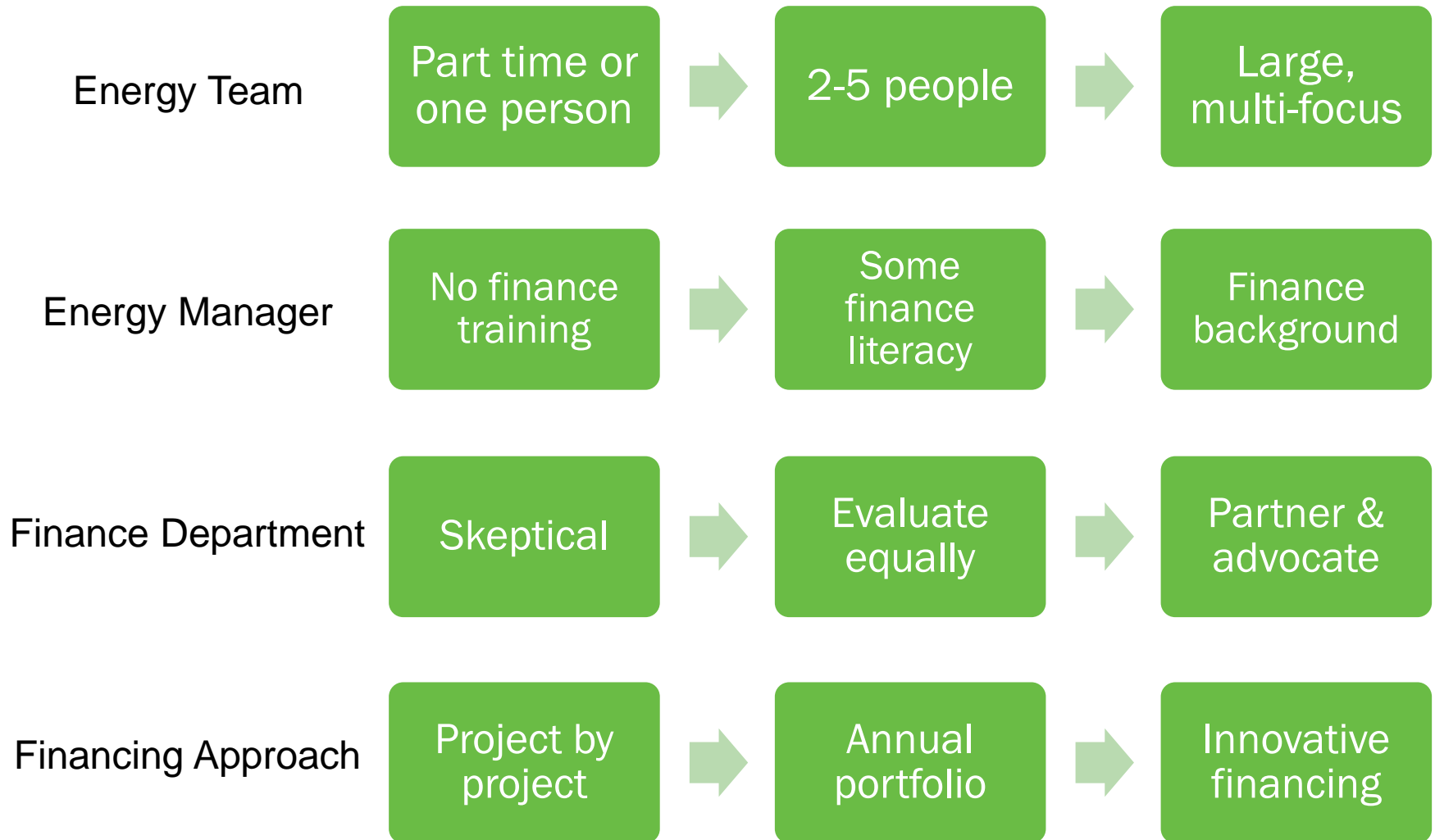
The Problem: Many retail energy managers – even at multi-national companies - lack even basic relationships with their internal finance teams, and less than one-third of 46 respondents to a RILA survey saw efficiency budgets increase from 2013 to 2014, if they had a dedicated budget at all.

Why it Matters: In 2014, the retail industry represented an opportunity of up to an estimated 4 billion kWh in energy savings

CBI Program Alignment:

1. Partnering with market leaders to increase the adoption of [cost-effective, high-impact] technologies
2. Providing design and management tools and performance data to reduce perceived risks and address market barriers that have inhibited wide-scale adoption
3. RILA is a Better Buildings Alliance Partner
4. RILA serves on the Retail, Food Service, and Grocery Sector Steering Committee for the DOE Better Buildings Alliance
5. RILA supports the Better Buildings Alliance Advanced Rooftop Unit (RTU) Campaign

A Spectrum of Corporate Conditions



Approach



RILA will...

- Research leading practices in the industry
- Document case studies (Implementation Models)
- Highlight successful Implementation Models through various channels
- Create new resources
- Host in-person and online workshops/trainings
- Facilitate use of Implementation Models
- Provide support & consultation through partner organizations

Approach (Continued)

Key Issues Being Addressed:

1. Energy managers need finance education to better communicate the merits of energy projects
 2. Companies require project-by-project funding approval
 3. Finance teams see other expenditures as better uses of capital
 4. New technologies face skepticism; once proven, there is often no path to scale
 5. External financing is not well understood (aside from utility rebates)
- ... all of which reduce retail energy manager access to capital for projects

Distinctive Characteristics:

- Leverages highly engaged community
- Addresses the key issues above
- Solutions inherently sustain ongoing completion of new energy projects

Spotlight: Workflow & E-Learnings

NAVIGATING A SUCCESSFUL ENERGY PROJECT PROPOSAL: Workflow and Approval Process



1

PHASE 1: DEFINE PROJECT OBJECTIVES & GOALS

In the early stages of a project, focus on making a connection between your project and your company's goals.



DEFINE PROJECT STRATEGY

How does the project help the company meet its public or internal energy goals?

Which short- or long-term corporate priorities does the project align with?



DEFINE METRICS

Which metrics does your finance team prefer and what is their risk tolerance for uncertainties?

Which benefits are your organization forfeiting by not funding the project?

DEVELOP INITIAL BUDGET

Can you fund the project with external financing?

Are incentives or tax breaks available?

Should any figures in the budget be flagged as uncertain?

CAUTION: COMMON PITFALLS THAT STOP ENERGY PROJECTS

- 1 Project proposal lacks a clear connection to corporate strategy and goals.
- 2 Project proposal lacks...



PHASE 2: IMPROVE PROJECT ACCEPTANCE/BUY-IN THROUGH FEEDBACK FROM IMPACTED DEPARTMENTS

2

RILA

RESOURCES | GLOSSARY | HELP

Alternative Financing

This course explains the different internal and external financing options available.

By the end of this course, learners should be able to identify which types of financing options are best suited to their project need(s), and how to articulate this match in order to secure funding.

This course is about 40 minutes long.

Select each icon to learn more

INTRODUCTION

2 MINS

INTERNAL FINANCING

15 MINS

EXTERNAL FINANCING

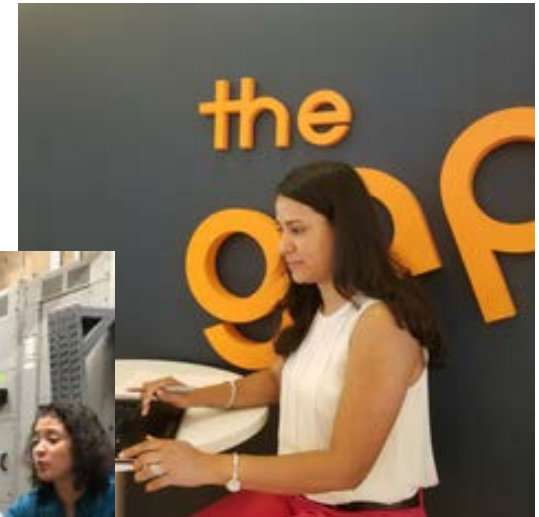
18 MINS

SUMMARY AND RESOURCES

3 MINS

Spotlight: EDF Climate Corps Fellowships

- **Class of 2017:**
 - CVS
 - Gap
 - Grocery Outlet
 - REI
 - Sephora
 - Walgreens
- **Project Topics**
 - Strategic Planning
 - Business Case Development
 - New Store Prototype
 - Technology Retrofits
- **Potential Project Impact**
 - 100 million kWh
 - Over 1,000 facilities



Impact

Program Goal Alignment:

1. Helps BTO achieve one of the three “prongs” in its mission strategy/ecosystem
2. Directly engages with and supports the Commercial Buildings Integration (CBI) program
3. Directly address two of the five “persistent market challenges” as identified by the BTO
4. Helps BTO meet two key goals (reduced EUI of U.S. buildings, secure actions by market leaders)
5. Supports numerous elements of the EERE CBI Program Logic Model

What’s Unique/Better:

- Level of industry exposure and engagement
- Available free of cost and publicly from an industry-specific, credible source
- Leveraging existing RILA systems, past tools, and personnel for lower cost

Impact Realized:

- Number of professionals (energy or sustainability, and finance) trained
- Project benefits quantified

Progress

Accomplishments & Market Impact:

1. Hosted 17 finance workshops with a combined audience of over 300, and online e-learnings planned for 2018
2. Created 7 Implementation Models (Regency/Trader Joe's; adidas Group; Whole Foods; Belk; Best Buy; Food Lion; The Home Depot) with 2 more in development
3. Summarized CFO interviews in 3 actionable deliverables
4. Facilitated over 30 benchmarking calls to date, gathering project input or featuring replicable leading industry practices with between 8-20 companies per call
5. Assisted 11 EDF Climate Corps fellows with summer projects identifying a total of over 23 million kBTU realized/an additional 150 million kBTU of potential savings.

Efforts to Ensure/Accelerate Impact:

- Creating self-guided e-learning versions of financing guides
- Hosting webinar workshops to reach audience unable to attend events
- Leveraging relationships with other industry organizations (utilities, restaurants, landlords, CFO publications) to expand reach across industries & roles

Planned vs. Actual Impacts: Revised approach to educate CFOs; on track with expectations for all other areas

Stakeholder Engagement

- 7-Eleven
- adidas Group
- Advance Auto Parts
- Aldo Group
- American Eagle Outfitters
- ANN INC.
- Apple
- Bed Bath & Beyond
- Belk
- Best Buy
- Big Lots
- BJ's Wholesale Club
- Burlington Stores
- Canadian Tire
- CarMax
- Costco
- Cracker Barrel
- CVS Health
- Delhaize America
- DICK'S Sporting Goods
- Dillard's
- Dollar General
- Dollar Tree, Inc.
- Eileen Fisher
- Estee Lauder
- Express
- FedEx Office
- Food Lion
- Foot Locker
- GAP
- Giant Eagle
- H&M
- Harris Teeter
- H-E-B
- Hudson's Bay
- Hy-Vee
- IKEA North America
- JCPenney
- J.Crew
- Kohl's
- LEGO
- Lowe's
- lululemon athletica
- LUSH Fresh Handmade Cosmetics
- Luxottica Retail Group
- Macy's
- Meijer
- Neiman Marcus
- NIKE
- Nordstrom
- Petco
- PetSmart
- Publix Super Markets
- RaceTrac
- Ralph Lauren
- REI
- Rite Aid
- Ross Stores
- Safeway
- Sears
- Sephora
- Sheetz, Inc.
- Shoe Sensation
- Staples
- Starbucks
- SUPERVALU
- Target
- Coca-Cola
- The Disney Store
- The Home Depot
- Kroger
- Michaels
- TJX
- Toys"R"Us
- Tractor Supply
- ULTA Beauty
- Verizon Wireless
- VF
- Walgreens
- Walmart
- Wegmans
- Whole Foods Market



Stakeholder Engagement

Project Integration:

- Project staff regularly coordinate with many retailers
- Other relevant stakeholders (e.g., other associations), regularly receive notification of new resources and encouragement to share

Partners, Subcontractors, and Collaborators:

- Deloitte Finance
- Institute for Market Transformation (IMT)
- Environmental Defense Fund (EDF)
- Department of Energy (DOE) – through existing projects
- Energy Foundation (EF) – funder & cross promoter

- Edison Electric Institute (EEI),
- International Council of Shopping Centers (ICSC),
- Professional Retail Store Maintenance Association (PRSM),
- Schneider Electric, Edison Energy, Current Power by GE

- Solar Energy Industry Association (SEIA),
The Solar Foundation (TSF), American Wind Energy Association (AWEA), and the Wind Energy Foundation (WEF)

Remaining Project Work



Continue to execute on 3-step approach while:

1. Creating more DOE resources and increasing visibility, usage
2. Expanding the project's reach and impact
3. Measuring outcomes

Future tasks:

1. Finance professional education
2. Release E-learning format of Finance 101 and 201 workshops
3. Third, final round of project EDF Climate Corps Fellowships (6)
4. Finalize all major resources (Financing Guides, Final Workflow/Approval Map, etc.)

Thank You

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REFERENCE SLIDES

Project Budget

Project Budget: \$1.5 million total (50% cost share)

Variances:

- Minor shifts between budget years based on deliverables pacing
- Corrections made proactively and as actual expenses come in
- No changes impacting the project plan; no budget areas exceeding estimates

Cost to Date: 74.2%

Additional Funding: Energy Foundation grant (\$80,000/year) towards cost share; Committee sponsorships

Budget History

April 9, 2015 – FY 2017
(past)

FY 2018 – Dec. 31, 2018
(present)

DOE

Cost-share

DOE

Cost-share

\$401,185.50

\$401,185.50

\$348,814.50

\$348,814.50

Project Plan and Schedule – Completed Milestones

Project Initiation: April 9, 2015

Planned Completion: December 21, 2018

Go/no-go decision points follow each budget year

Milestone	Actual (Planned) Completion	More Information
1.1 PMP	Q1, Q5, Q9 (Q1, Q5, Q8)	Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.
2.1 IM Candidates & New IMs	Q1, Q4, Q8 (Q1, Q4, Q8)	Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.
2.2 CFO Interviews	Q5 (Q1)	Delayed due to holiday season, retail financial calendars, & securing sufficient interviewees
3.1 Program Benchmarking Calls	Once a quarter (Once a quarter)	Q1 delayed less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.

Project Plan and Schedule – Completed Milestones

Milestone	Actual (Planned) Completion	More Information
3.2 Financial Calculator	Q4, Q5 (Q4, Q5)	Integrating into DOE Financial Navigator
3.3 Finance Workshops (Curriculum, materials)	Q1, Q8 (Q1, Q8)	Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.
3.4 Example Workflow/ Approval Maps	Q4, Q7 (Q4, Q7)	Annual revision
3.5 External Financing Guide	Q4, Q7 (Q4, Q7)	Annual revision
3.6 Articles/Blog Posts	Q3, Q4, Q6, Q8, Q10 (Q2, Q4, Q6, Q8, Q10)	Initial delay less than a quarter after award posting due to holiday season. No delays for subsequent milestone dates.
3.7 Website	Q4, Q8 (Q4, Q8)	Annual revision
4.1 Climate Corps Fellowships	Q4, Q8 (Q4, Q8)	
4.2 Direct Retailer Consultations	Q4, Q8 (Q4, Q8)	

Project Plan and Schedule – Future Milestones

Milestone	Planned Completion	More Information
2.1 IMs	Q14	
3.1 Program Benchmarking Calls	All quarters	
3.2 Financial Calculator	Q12	Final integration with DOE Financial Navigator
3.3 Finance Workshops	Q14	Final version as e-learning
3.4 Example Workflow/ Approval Maps	Q14	Final version
3.5 External Financing Guide	Q14	Final version
3.6 Articles/Blog Posts	Q12, Q14	
3.7 Website	Q14	Final version
3.8 Executive Education	Q14	Final campaign page
4.1 Climate Corps Fellowships	Q14	
4.2 Direct Retailer Consultations	Q14	